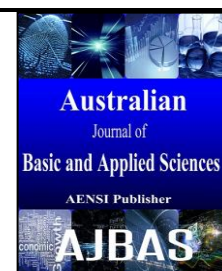




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Islamic Financial Literation And Inclusion Model Towards A Green Economy In Urban Farmer Community (The Urban Farmer's Perspektif in Malang City-East Java-Indonesia)

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ABSTRACT

The research aims to study literation and inclusion, a knowledge and access of the community to Islamic financial institutions towards the development of a green economy. The purpose of the research are: to reveal farmer's perspective on the green economy, literation, planning and financial access (inclusion) to Islamic financial system in the agricultural product financing to the concept of green economic development. The results show three findings. *First*, agriculture can neutralize environmental pollution and steer towards green economic development. *Second*, Islamic finance as a financing solution, cooperative system, and social pious attitude. *Third*, farmer's financial planning considers season, rice planting equipment, crop husbandry, and pre-harvest and harvest preparation. *Fourth*, Islamic financial inclusion faces collateral, *murabahah* system, and credit system. Inclusive Islamic monetary system employs a profit share mechanism since it does not need collateral. In addition, it parallels skill to capital money and employs a holder-based system.

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INTRODUCTION

The existing Islamic monetary system in Indonesia is substantively for answering moslem's aspiration. On the other hand, it is one effect of global trends after United States monetary crisis in 2008. The tragedy inspires many people to choose Islamic monetary system as an alternative and solution for such monetary crisis.

The development in the sector of agricultural in this context is meant as a green economic development. Because, the development of the agricultural sector in urban communities could serve as a counterweight in industrial societies that tend to pollute the environment. Agricultural development can double impact, ie, serves to neutralize environmental pollution and also control the direction of the development of a green economy (Las, Irsal, *et al.*, 2006).

For farmer, Islamic monetary system is expected to be an alternative solution for financing their agricultural production. The expectation derives from two reasons. First, conventional monetary has a limited instrument. It considers farmer as a party which has no bankability. Second, most of farmers are moslem. They believe that bank interest is forbidden *riba*. In the urban area, it is difficult to spot

Islamic financial institutions. This factor highly influences the urban farmer's perception and knowledge on Islamic financial institution (IFI). Therefore, the research studies the literation and inclusion or knowledge and access to IFI (Kaleem, Ahmad and Abdul Wajid, Rana, 2009).

Financial problem threatens the agricultural productivity. The fact is tolexpressed by (Ashari dan Saptana, 2005), a small-scale farmer, businessman and craftman. He has been facing difficulty in accessing credit from conventional financial institution. The farmer is considered as having no bankability. They hope that IFI can help them dealing with this problem.

(Sajogyo, 2002) has a similar opinion. He emphasizes that the marginalization phenomena to Indonesian agriculture is caused by development policy which ignores sociological and empirical aspect of the community. The farmer's difficulty to access conventional banking credit is in accordance with the result of the research done by (Khasanah, *et al.*, 2013). Khasanah reveals the farmer's reasons for not using bank facilities: (a) interest-based conventional bank credit is considered forbidden for moslem farmers, (b) the farmers have to deal with a long bureaucracy to access banking credit, (c) most

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of the farmers have no collateral, which is required by the bank.

Methodology:

The researcher collects field data by direct observation as its primary data. The secondary data consists of documented information such as books, leaflet, journal, scientific paper, and research findings. The research tries to find out the causal relationship of social facts and also its comprehensive understanding. It is not enough to use a few variables to gain the expected understanding (Miles, Matthew B and Huberman, A. Michael, 2009). Therefore, it is important to obtain a deeper meaning, value, understanding on the financial literacy and inclusion toward agricultural product operation. Being the data collector, the researcher directly observe and experience the situation in the field. Data analysis and data collection are done in the same time, after data processing. Then, the data goes through the process of classification, filter, identification, generalization and theoretical construction drawing. By doing these steps, the researcher tries to understand the data, arrange the categorization, and identify the characterization of each category in order to differentiate them.

Hence, by following the steps the research will have a deep understanding, both for its validity and reliability since it has an adequate data. Using a theoretical approach, the purpose of drawing conclusions is to propose useful recommendation.

RESULTS AND DISCUSSION

The Farmers' Opinion On The Green Economy:

According to farmers, the green economy is a plant-based economic development that will lead to a positive impact on improving the environment that has been polluted by industrial and vehicle fumes. Agriculture can neutralize the polluted environment such as the presence of waste from factories that pollute the soil and water around it. Also can neutralize the polluted air by smokestacks and automobiles. Agricultural development also serves as an instrument to steer development towards a green economy (Tetanel, Yauri, 2008).

The Farmers' Perspective On Islamic Finance:

Farmers have several different perspectives on the existence of profit share-based Islamic monetary. They are:

1. The high cost of agricultural production

Some factors lead to the high cost of financing agricultural production. They are (a) the high price of land due to land conversion, (b) the high cost of agricultural planting process, (c) the high cost of labor.

2. Mutual Cooperation

In agriculture, the land owner and the farmer should have a mutual cooperation. The owner needs

the skill of the farmer for planting the crop. On the other hand, the farmer needs the land for planting the crop.

3. Source of Social Pious Attitude Value

Most of the farmers in the research site are moslem. The profit share system adopted from Islamic teaching is considered to be a source of social pious attitude.

Farmer's Financial Planning In Agricultural Production:

The farmers have been making their financial planning as follow:

1. The planning is adjusted to the season

The farmers' financial planning is usually adjusted to the season. They have different planning for dry and rainy season.

2. The planning for buying rice planting equipment

The farmers adjust their budget according to their needs to buy seed, fertilizer, insecticide and herbicide. Their spending for the first and second cropping period will be different.

3. The planning for crop husbandry

The farmers adjust their financial planning to the crop husbandry based on their stage. It consists of early, mid, and late stage of crop husbandry.

4. The planning for pre-harvest and harvest time

The farmers make their financial planning for pre-harvest and harvest time. When harvest time is approaching, the farmers do several conditioning or preparation. They also allocate some of their money for harvest time.

Farmers' Perspective On Islamic Monetary Inclusion:

The farmers have several perspectives on the inclusion of Islamic financial institution.

1. The farmers' perspective on the inclusion of Islamic financial institution

a. They face the collateral problem

The collateral in the credit requirement become a significant problem for the farmer.

b. Murabahah has similarity with conventional credit

According to some farmers, the *murabahah* system is similar to conventional credit. The ratio in *murabahah* is similar to the interest concept of conventional credit.

c. Credit system

Murabahah financing is similar to conventional credit since it is a credit based system. The farmers consider taking a credit as a shameful act.

2. The farmers' perspective on the inclusion of profit share system

a. It does not need a collateral

According to the farmers, profit share system does not include collateral in the requirement.

Financing transaction is based on trust between land owner and the farmer.

b. Sharing skill is parallel to capital money

Profit share system parallels the share or contribution of each involved party. Farmers' skill as their contribution parallels to capital money.

c. Holder Based System

Holder based system enables the farmers to avoid credit. They do not have to contribute money since their skill is considered as the same as capital money.

Summary:

The research shows several conclusions. *First*, agriculture can neutralize environmental pollution and steer towards green economic development. *Second*, the farmers' perspectives on Islamic finance literature: (a). As a solution for agricultural financing. (b). Mutual cooperation. (c). As a source of social pious attitude. *Third*, the farmers make a financial planning which is: (a) adjusted to season (b) related to rice planting costs, (c) related to crop husbandry (d) related to pre-harvest and whilst-harvest preparation. *Fourth*, the farmers' attitude and perspective toward Islamic system inclusion are a). Access to Islamic financial institution faces three problems, the need of collateral in the requirement, *murabahah* which is considered similar to conventional credit, and credit-based financing product. b). The farmers choose profit share system due to some facts. It does not need collateral, skill is

considered parallel to capital money, and profit share has a holder system basis.

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